

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Market-Dominant Price Change

Docket No. R2021-2

**COMMENTS OF THE NEWS MEDIA ALLIANCE**  
(June 28, 2021)

The News Media Alliance (“NMA”) respectfully submits these comments in response to the Postal Service’s notice of market-dominant rate adjustments in this proceeding.<sup>1</sup> NMA strongly believes that the new rates<sup>2</sup> will inflict much damage on newspapers that rely on the mail to distribute their products, will reduce the amount of profitable Periodicals and USPS Marketing Mail in the postal system, and ultimately harm the public interest while doing little to improve the Postal Service’s financial condition.

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<sup>1</sup> *United States Postal Service Notice of Market-Dominant Price Change*, Docket No. R2021-2 (May 28, 2021) (“USPS Notice”). The Commission issued public notice in Order No. 5905. *Notice and Order on Price Adjustments and Classification Changes for Market Dominant Products*, Docket No. R2021-2 (June 1, 2021), 86 *Fed. Reg.* 30071 (June 4, 2021).

<sup>2</sup> NMA believes that the Commission lacks the legal authority to authorize the Postal Service to exceed the CPI price cap through the density factor and retirement authorities created by Order No. 5763 and is participating in the current appellate review of that order. By filing these comments, NMA does not waive its objection to those new authorities. That the new rates will be nonrefundable, however, only emphasizes their undesirability.

## **I. Introduction**

The NMA is a trade association representing nearly 2,000 diverse news organizations in the United States and Canada—from the largest news groups and international outlets to print and digital newspapers in every state and congressional district—in short, all news media content creators. NMA members are trusted in their local communities, and are known for their highly-engaged audiences and high-quality journalism and sophisticated digital and mobile products.

NMA members use all categories of market-dominant postal products. First-Class Mail delivers invoices and payments; Periodicals Mail distributes their print editorial product (for rural and community newspapers, usually at Within County rates); and USPS Marketing Mail delivers “Total Market Coverage” (or “TMC”) program mailings to residents who do not subscribe to the print newspaper. Both metropolitan and small market and community newspapers operate TMC programs, and these shared mail packages typically are mailed at High Density Plus or Saturation flats rates.

Like the Postal Service, NMA members have experienced numerous business challenges in recent years. Publishers have confronted structural changes ranging from reduced revenues due to digital competition and consumers’ changing preferences for consuming news and information to rising costs for newsprint and reduced advertising revenue due to the pandemic. They also have found it increasingly difficult to recruit drivers to deliver daily newspapers to subscribers in smaller markets and rural communities.

These fundamental market forces have made NMA members throughout the nation very sensitive to costs of all kinds, including postal costs. Newspapers generally have been unable to pass postage rate increases along to their readers and advertising customers as both have low-cost digital alternatives for consuming news or distributing advertising.

Newspaper TMC programs typically contain advertising for local and small businesses and are targeted to a specific geographical area, for distribution to residential addresses that do not subscribe to the newspaper. But these programs face profound market challenges. Well-documented changes in the U.S. retail sector have reduced the volume and frequency of ad inserts that are mailed through newspapers' TMC programs.<sup>3</sup> Increases in postage rates typically force newspapers to decrease their TMC mailings by reducing the geographic reach of a campaign. Even current rates for Saturation and High Density Plus flats mailings – which are highly profitable to the Postal Service – are too high in many geographic markets, judging by the willingness of advertisers to pay.

## **II. The Rates In The Notice Will Harm Newspapers And The Public While Providing Little Financial Benefit To The Postal Service**

The Postal Service has a statutory mission to “bind the Nation together through the personal, educational, literary, and business correspondence of the people.” 39 U.S.C. §101(a). The *Notice* does not discuss—at all—how the rate

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<sup>3</sup> TMC programs are not limited to large markets. Many NMA members in smaller communities operate TMC programs as well. The driving factor is advertiser demand.

increases for the Periodicals and Marketing Mail products used by newspapers take into account this public service mission.

Those increases are severe. Despite public statements that it would use the new rate authorities “judiciously,” the Postal Service has remarkably used essentially all of the rate authority that the Commission has made available at a time when its business and nonprofit customers are fighting to rebound from the economic disruption of the global pandemic.<sup>4</sup> The *Notice* announces an overall increase of 8.806 percent for Periodicals mail. For Within County newspapers, the increase is 8.311 percent, and the Outside County percentage change is an even higher 8.832 percent. *Notice*, Table 15, at 20.

Although these increases far exceed any since enactment of the PAEA, and even for many years before, the amount of revenue that these rates will generate is minuscule. The total revenue increase for Within County mail as calculated by the Postal Service *is less than \$4 million*. See *USPS-CAPCALC-PER-R2021-2*, Tab Summary. And that assumes that no change in Within County volume, although such rate increases unquestionably will cause some publishers to take their newspapers out of the system.

In stark contrast to the minimal impact on the Postal Service’s revenue statement, the impact on the community and rural newspapers that are expected to pay these rates will be substantial. Faced with an average increase rate increase for Within County mail of 8.311 percent—nearly seven times the rate of

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<sup>4</sup> The Governors’ aggressive use of almost all of the new pricing authority belies the Commission’s notion that the Postal Service would “use its business judgment” to use pricing authority prudently. See, e.g., Order No. 5763 at 270.

inflation—newspapers that mail their editorial product have few options, none good. Some will convert their Periodicals pieces from the mail to alternate delivery (which has staffing and reliability challenges) or to news racks, which would require readers proactively to leave their homes to receive news about their communities, a change that particularly affects more elderly readers. These steps will simply divert locally-entered, likely profitable mail, from the system, leaving more costly mail in system.

Some newspapers, faced with postage cost increases that cannot be passed on to customers, will reduce staff, including its reporters on the street. That will result in less news and local community coverage. That in turn leads to a loss of transparency in local government. Those local communities will lose coverage of tax and spending decisions, changes in zoning ordinances, public health alerts, environmental risk factors, and more, which affect the quality of life. Where the newspaper is the only news outlet in the community, the civic loss is especially significant.

And unfortunately, some newspapers may shut down. When a small newspaper is the only news outlet in a local community, this creates yet another news desert. More than 200 counties in the United States already lack any newspapers at all. See <https://www.usnewsdeserts.com/reports/expanding-news-desert/loss-of-local-news/loss-newspapers-readers/>. Of the approximately 7,000 newspapers remaining in the U.S., about half serve small and rural communities. These rely on the Postal Service's public service mission of "binding the nation together" and are at substantial risk.

Although the increases at the USPS Marketing Mail saturation and high density plus flats rates used by TMC programs are comparatively less, they (at 5.454 % on average) remain more than four times the 1.244 percent inflation used in the filing. While these hikes are modestly less egregious than the Periodicals increases, newspapers will still face substantial headwinds if they try to pass those increases along to advertisers. It is at least as likely that newspapers will respond by reducing the geographic coverage of their programs so as not to exceed their already very constrained mailing budgets. The result will be a further diminution of the Postal Service's role as a distributor of print advertising.

Not one word in the *Notice* suggests that the Postal Service is aware of these consequences, has considered them, or even cares, notwithstanding the Commission's rule that the Postal Service explain how the new rates are consistent with statutory requirements. Such an apparent attitude does not befit a public service. It is distressing that the Postal Service is either unaware of these developments affecting the markets in which its customers operate or is unconcerned with the consequences of its rate proposals.

News media simply cannot afford increases of the magnitude set forth in the *Notice*. NMA members cannot simply pass along such rate increases to their customers in either Periodicals or Marketing Mail. In the competitive environment in which newspapers operate, such cost-shifting is unthinkable. Neither advertisers nor subscribers are willing to pay higher prices given the digital alternatives for distributing news and advertising.

### **III. The Postal Service's Disregard Of The Schedule for Regular And Predictable Rate Changes Will Result In A Loss Of Trust**

Moreover, the possibility that postage costs could rise by such amounts injects a harmful uncertainty into the use of the mail that affects mailing in future years as well. At no point has the Postal Service filed to amend the Schedule for Regular and Predictable Rate Changes required by §3622(d)(1)(B) and published on the Commission's website. That schedule makes no mention of a May filing for August rates, referring only to the Service's expectation to implement rate changes each January. See [https://www.prc.gov/docs/76/76804/Not.Schedule.Regular.Rate.Adj\\_.pdf](https://www.prc.gov/docs/76/76804/Not.Schedule.Regular.Rate.Adj_.pdf). That the Postal Service has filed for the largest (by far) rate increase since enactment of the current law in a manner that utterly ignores §3622(d)(1)(B) simply tells mailers that the 2006 Act's promise of transparency and predictability in rates—both in timing and amount—was just words.

Given the Postal Service's demonstrated disregard of §3622(d)(1)(B), why should any mailer place any trust in that Schedule going forward? Mail customers, including news media organizations, will not make new investments in mailing efforts or technology if they face surprise rate hikes of the magnitude seen in this case or more in the future.

Accordingly, the Commission should reject the proposed rates as contrary to the Schedule for Regular and Predictable Rate Changes.

#### IV. Conclusion

In comments on the Revised Notice of Proposed Rulemaking in Docket No. R2017-3, which proposed several new rate authorities, NMA warned that above-inflation rate increases:

would result in less local news gathering and publishing and less informed communities. Postage rates in the ranges contemplated by the RNPRM would render the Postal Service unaffordable to many local news media and uncompetitive with other distribution options where such options exist. Some newspapers, particularly weeklies that rely on the Postal Service for delivery, could stop publishing altogether, adding to the growing number of news deserts across the country.

*Comments of the News Media Alliance*, Docket No. R2017-3, at 4 (Jan. 31, 2020). NMA regrets that the *Notice* brings this prediction one step closer to becoming true. The increases announced in the *Notice* will drive both TMC and editorial products out of the mail, which will simply accelerate the downward spiral of our nation's postal system.

Accordingly, the News Media Alliance respectfully urges the Commission to consider these comments when reviewing the rates proposed in the *Notice*.

Respectfully submitted,

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